



Director of
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Approved For Release 2004/05/22 : CIA-RDP79T00975A031400040002-7

Top Secret

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National Intelligence Daily

Friday
4 May 1979

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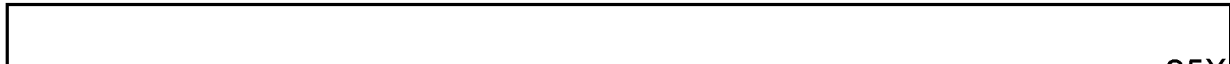
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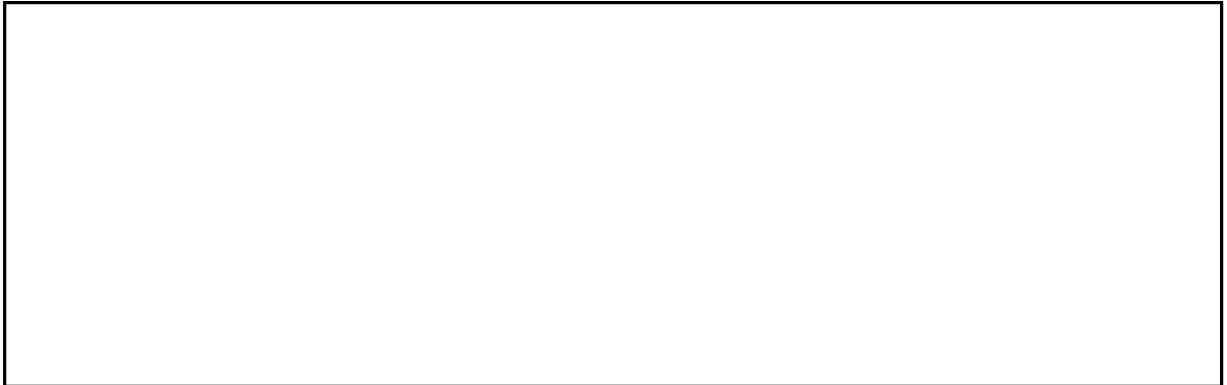
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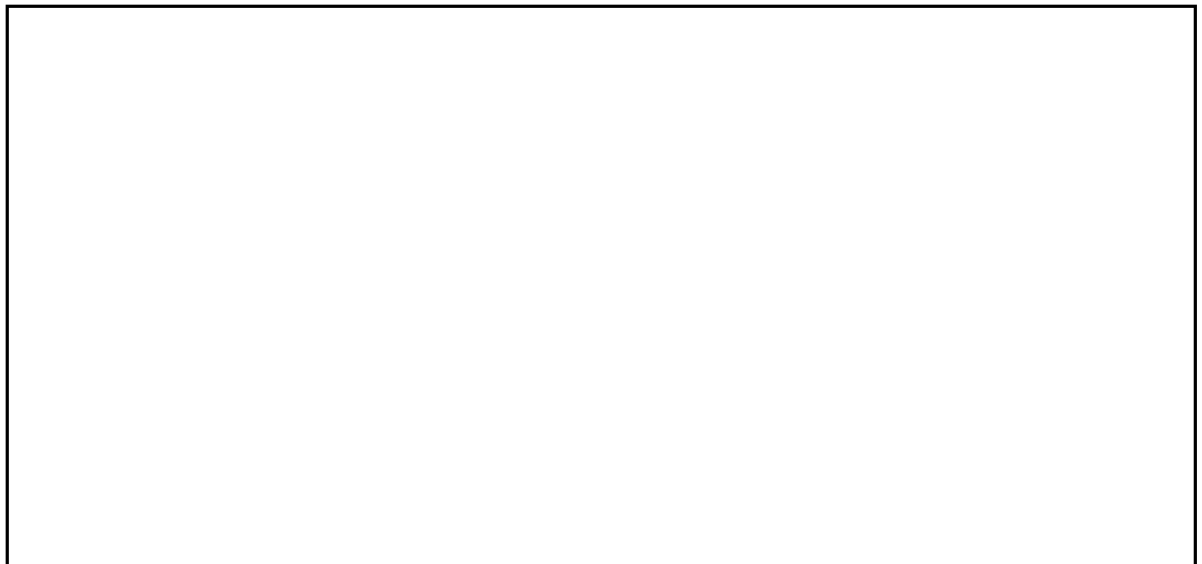
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Overnight Reports 18

The Overnight Reports, printed on yellow paper as the final section of the *Daily*, will often contain materials that update the Situation Reports and Briefs and Comments.

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UK: Election Results

When counting stopped early this morning Britain's Conservative Party was projected to win a substantial-- but as yet undetermined--majority in Parliament. With 511 of the 635 constituencies reporting, the Conservatives were winning almost 44 percent of the vote and had registered a net gain of 50 seats, while the Labor Party was receiving just over 39 percent and had lost a net 46 seats. The usually heavy Conservative rural vote, which normally comes in late, is expected to push up the Tory margin of victory further.

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As expected, Labor is winning a majority of the urban, industrial seats, but the Conservatives have made substantial inroads in these districts. Support for the Scottish Nationalist and Liberal Parties, as predicted in pre-election polls, has declined sharply. Final results will be known later today.

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Parliament will convene next Wednesday and, if these trends continue, a government will take office shortly thereafter that for the first time in several years will not have to rely for its survival on minor party support. The first major tasks facing Thatcher will be to announce a cabinet, which she is expected to do soon, and to prepare a budget, which will be announced by mid-June.

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It is likely that a Tory cabinet will be dominated by moderates whose most difficult tasks in the immediate future will be to formulate an economic policy and attempt to define a workable relationship with the trade unions. Although the new budget will not depart radically from the past, a new Conservative government can be expected to implement some of its more critical campaign promises, particularly cutting personal income taxes.

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-CIA Late Item-

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NEPAL: Possible Moves Against Demonstrators

Nepalese King Birendra may be edging closer to using the Army to quell the violent demonstrations by students and workers that began nearly a month ago. On Monday, the King reportedly signed a temporary order authorizing the Army to declare martial law should he become incapacitated or should the present situation worsen appreciably.

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Unrest has increased as others have joined the student protests, and there have been some deaths in clashes with police. About 30 politicians--including B. P. Koirala, probably the most important opposition leader--have been arrested.

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The King probably does not yet consider military force necessary, but he wants to be sure that the Army is prepared to act if called upon. He may also have agreed to the mandate in order to quiet hardliners within the palace and the military. Shortly before the King gave his authorization, leaders of the Army--which has never fired on Nepalese civilians--agreed that the Army should be prepared to take control if rioting leads to anarchy and that military units should defend themselves if attacked.

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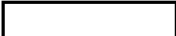
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OVERNIGHT REPORTS

(The items in the Overnight Reports section have not been coordinated within the intelligence community. They are prepared overnight by the Office of Current Operations with analyst comment where possible from the production offices of NFAC.)

Saudi Arabia - Egypt

News reports suggest that Saudi Arabia has not yet decided to break diplomatic relations with Egypt. The Middle East News Agency reports that the Saudi Ambassador, who was recalled to Riyadh last month following the Egyptian-Israeli peace treaty, returned to Cairo yesterday. Neither the Ambassador nor Egyptian officials were available for comment. 

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Egypt-Israel

The Middle East News Agency reports that the Egyptian Foreign Ministry yesterday called for a summit meeting of Islamic leaders to discuss the future of the Arab sector of Jerusalem. The ministry entrusted Morocco's King Hassan with the role of organizing the meeting. The Foreign Ministry also urged the Islamic Conference of Arab Foreign Ministers that opens next Tuesday in Morocco to "devote its efforts to the liberation of the Arab sector." Cairo linked its participation in the conference to King Hassan's acceptance of the Egyptian proposal. [REDACTED]

COMMENT: *The central issue at the meeting in Morocco will be an effort by hardline Arab states to expel Egypt from the Islamic Conference.* [REDACTED]

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China-Vietnam

The third session of the Sino-Vietnamese border negotiations ended yesterday in Hanoi with the Vietnamese delegation leader Phan Hien denouncing Peking's eight-point proposal for settling the dispute. Phan Hien, according to a Western news agency report, described the Chinese leaders as "criminals" who were guilty of conducting a "barbarous war of extermination with even more cruel methods than the Hitlerian fascists." Observers described Hien's hard-hitting speech as the toughest stand taken by either side since the border negotiations began. [REDACTED]

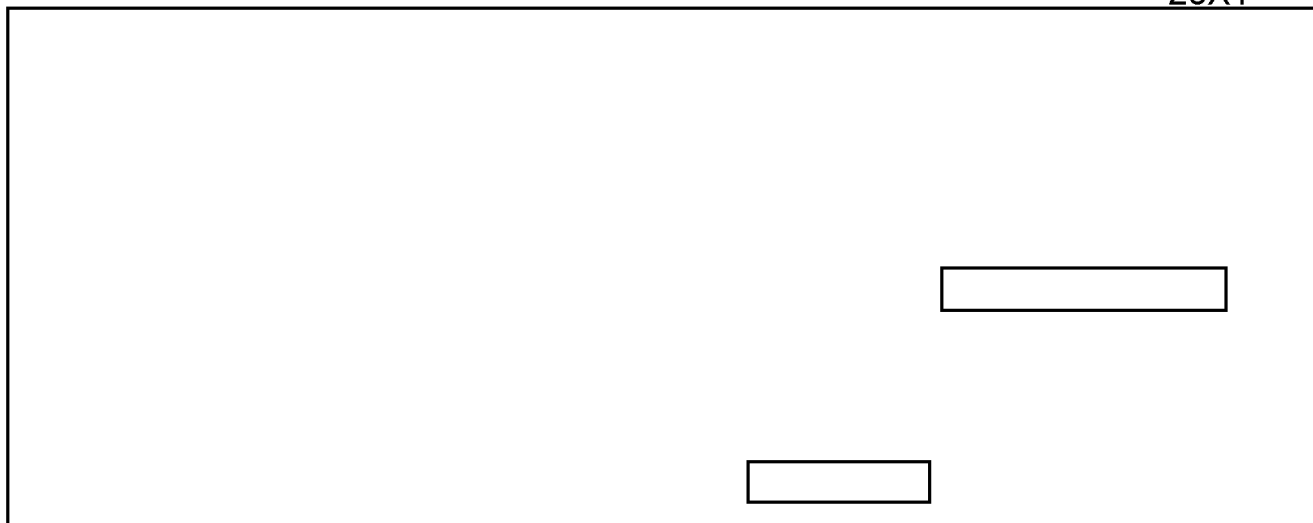
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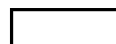


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Israel-USSR

According to news reports, the Soviets this year will raise the level of the delegation traditionally sent to Israel to commemorate the anniversary of the victory over Nazi Germany. There is speculation--almost certainly unfounded--that this development is a prelude to the restoration of diplomatic relations between the USSR and Israel. The leader of the four-man delegation will be Aleksandr Bubin, veteran *Izvestia* correspondent reputed to be close to President Brezhnev. Two of the other three delegation members are prominent Soviet Jews. 

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